

10-A082 834

DEPARTMENT OF DEFENSE WASHINGTON DC  
DEPARTMENT OF DEFENSE ANNUAL REPORT FISCAL YEAR 1979. EXECUTIVE-ETC(U)  
FEB 78 H BROWN

F/G 15/3

UNCLASSIFIED

NL



END  
DATE  
5-80  
DTIC

HOLD FOR RELEASE  
UNTIL 10:00 a.m. (EST)  
THURSDAY, FEBRUARY 2, 1978

11059 17.

6	DEPARTMENT OF DEFENSE
	ANNUAL REPORT
	FISCAL YEAR 1979
	<i>Executive Summary</i>

10	HAROLD BROWN
	SECRETARY OF DEFENSE

11	2 FEB 1978
----	------------

\*

\*

\*

12	15
----	----

EXECUTIVE SUMMARY

RECOMMENDATION	
NTIS	
DDI	
UNCLAS	
J.	
<i>Letter on file</i>	
By	
Date	
Dist.	
A	

109050

*2/14*

DO NOT WRITE IN THESE SPACES  
Approved for public release  
Distribution is unlimited

## EXECUTIVE SUMMARY

Mr. Chairman and Members of the Committee:

The President requests a defense budget for FY 1979 which entails \$126 billion in Total Obligational Authority (TOA) and \$115.2 billion in outlays. The planned outlays will constitute a 3.5 percent real increase over the spending programmed for FY 1978.

The Long-Range Projections for defense contain a real increase in TOA of about 2.7 percent a year so that, by FY 1983, the defense budget will require TOA of \$172.7 billion in then-year dollars and \$140.3 billion measured in FY 1979 prices. Assuming normal patterns of economic growth over the five-year period, we estimate that defense outlays, as a percent of Gross National Product (GNP), will actually decline from 5.1 percent in FY 1979 to 4.8 percent in FY 1983. In FY 1964, the number was 8.2 percent; in FY 1954, it was 12 percent.

The body of my annual report explains in detail the defense policies and programs adopted by the Carter administration. In this summary and opening statement, I will focus on the main reasons for the proposed modest increases in real terms in the FY 1979 defense budget and long-range projections.

### I. INTERNATIONAL TRENDS AND DEFENSE

The defense budget, as you know, is shaped by a number of factors. Not the least of these is the international environment. Certain features of that environment and our relationship with it are especially worth noting.

- First, even though nearly 33 years have passed since the end of World War II, a number of territorial and other issues remain unresolved -- particularly in Africa and the Middle East. There is no recognized and stable status quo to which all nations -- or all the major nations, or most nations -- adhere.

- Second, the United States is becoming increasingly dependent on this environment -- in trade, in raw materials, in energy, and in a broad range of political relationships.
- Third, most of the international competition for power is conducted with peaceful instruments, and most international issues are resolved by peaceful means. But force, whether in the form of organized military power or of terrorism, continues to be a major factor in the resolution of international disputes. Military power has a substantial influence on the international attitudes of friends and adversaries during peace as well as in war.
- Fourth, the relations between the United States and the Soviet Union continue to be marked by both competition and cooperation, with the attendant risk of conflict. However, there are opportunities to stabilize and perhaps to ease these relations -- especially through arms control agreements.
- Fifth, where the competition between the two superpowers is non-military, the United States continues to enjoy a number of critical advantages: in industrial, agricultural, technological, and diplomatic strength; in the energy and enterprise of its citizens; in the appeal of our system -- its responsiveness and plain decency; and in the support of allies and other friends who genuinely share similar aspirations.
- Sixth, the Soviet Union, by contrast, suffers from major internal handicaps -- economic, political, and social -- and these handicaps will probably increase with the decline already occurring in birth rates and about to occur in domestic energy supplies and rates of economic growth. The Soviets also suffer from a lack of genuinely committed allies, and they have been set back in their relations with the People's Republic of China (PRC), India, and parts of the Middle East. Nonetheless, despite these handicaps and setbacks, the Soviets have been acquiring military power

comparable to that of the United States. By some measures they are ahead; by others they are behind. (Comparative military capability also depends on such factors as the geographic location of a conflict.)

- Finally, while many trends and issues continue to develop independently of relations between the United States and the Soviet Union -- and require our attention and resources -- the Soviet Union remains our principal national security problem: not the only one but the biggest one.

We are negotiating (and must continue to negotiate) with the Soviets for specific, equitable and adequately verifiable arms control and disarmament agreements -- agreements that strengthen international stability, curb the arms competition, and reduce armaments: conventional as well as nuclear. We should seek to involve the Soviets constructively in a number of international activities -- social and economic, including non-strategic trade. We should encourage their cooperation in resolving international conflicts and reducing areas of tension that could lead to confrontation. To the degree that we can channel any United States - Soviet competition into non-military areas, we will be better off, especially considering our economic, social, and other advantages.

However, none of these efforts toward cooperation should cause us to minimize the American commitment to human rights, national independence, and democratic institutions -- or to collective security with our friends. Certainly they must not keep us, along with our allies, from offsetting Soviet military power in such vital areas as Western Europe.

The main objective of our collective security system must be the maintenance of an overall military balance with the Soviet Union no less favorable than the one that now exists. Deterrence and stability, not overbearing military power, are what we seek. To have them, and to be confident in them, we must be assured of a credible fighting capability.

The demands of such a capability are substantial. Over the past 15 years, Soviet defense spending has been gradually increasing; we estimate the average rate of increase, in real terms, at between three and four percent a year,

roughly in line with growth in the Soviet GNP. For a substantial part of that same period (from FY 1964 to FY 1975), U.S. baseline budgets (with military retired pay and the incremental costs of the war in Southeast Asia excluded) have been declining in real terms. Only since FY 1976, has our defense budget been increasing in real terms. As a consequence, the Soviet defense effort now appears to exceed ours. The margin is a matter of judgment, and depends on whether the two programs are compared in rubles or dollars. Estimates of 20 percent to 40 percent for this excess appear reasonable.

On the other hand, we are fortunate in having prosperous and willing allies who can help counterbalance the Soviet effort. The Soviets are not so fortunate. Moreover, they have felt obliged to allocate up to about 20 percent of their total defense effort to the Far East and the PRC. These considerations are allowed for in our judgments on the proper size of the U.S. defense program. Nonetheless, if we and our allies are to keep pace with the Soviets and offset their military power, we must increase our own efforts.

In particular, an increasingly precarious conventional balance between NATO and the Warsaw Pact in Europe is a matter of serious concern. That is why we and our NATO allies, in May, 1977, recognized the need to raise our respective levels of defense spending by approximately three percent a year in real terms. That is also why we have already launched several major initiatives to cope with short term NATO vulnerabilities, develop long term and coordinated defense plans, and achieve a greater degree of alliance cooperation in the common defense. All of us, it is now acknowledged, must expand our responses to the Soviet military buildup.

The general magnitude of the Soviet defense effort, and the continued uncertainties in international relations, account to a considerable extent for the size and composition of the U.S. defense budget. But we do not seek to create a mirror-image of Soviet military capabilities. Instead, we strive to maintain the nuclear and conventional forces necessary to deter, or if necessary frustrate, possible Soviet military actions in areas of the world that are vital to us.

Because certain deficiencies threaten to develop in our posture as a result of the recent and diverging patterns of defense spending in the United States and the Soviet Union, we need increased resources to redress them. I will discuss our main concerns here. The details of our needs will be found in the remainder of the report.

## II. THE STRATEGIC NUCLEAR FORCES

A strategic nuclear attack is the least likely military contingency we face. However, there is no task more vital than the maintenance of the strategic nuclear balance between the United States and the Soviet Union. In my judgment, a rough strategic nuclear equilibrium exists between the two superpowers at the present time. Neither country enjoys a military advantage; neither is in a position to exploit its nuclear capabilities for political ends. The situation is one of standoff or stalemate. Mutual strategic deterrence and essential equivalence are in effect.

This administration is determined to continue the current state of affairs. We would prefer to continue it through equitable and verifiable agreements for arms limitations and reductions, and I believe we are making progress in that direction through the Strategic Arms Limitation Talks (SALT). But we will maintain it by whatever means and resources are necessary. No one should have any doubts whatsoever on that score.

I stress this determination for two basic reasons. First, the strategic balance is not static; owing to a substantial and continuing Soviet effort, it is highly dynamic. Second, the problem of coping with this dynamism is complex and demanding; there is no easy, one-shot solution to it.

The United States has not been idle in this competition; we have programs underway to modernize each element of our TRIAD. However, all of us must recognize that the Soviets continue to fund a number of large, impressive and costly strategic programs to strengthen their offensive capabilities, their active defenses, and their passive defense system.

Exactly why the Soviets are pushing so hard to improve their strategic nuclear capabilities is uncertain. What is certain is that we cannot ignore their efforts or assume that they are motivated by considerations either of altruism or of pure deterrence.

My own view is that, for many years now, we have been at the point where a full-scale thermonuclear exchange between the United States and the Soviet Union would be a disaster of unprecedented proportions for both sides. Nothing I have learned during the past year has altered that conclusion. I also believe that any use of nuclear weapons by the two superpowers against one another -- whether tactical or strategic -- would carry a high risk -- though not the certainty -- of escalating the conflict to a full-scale thermonuclear exchange.

But if deterrence of nuclear war is our most fundamental defense objective -- and it surely is -- what counts is what Soviet civilian and military leaders believe. On that score, unfortunately, we face another uncertainty. What we see as sufficient for security may appear as quite inadequate to them. What would deter us might not deter them. What some of us consider credible as a deterrent, they may dismiss as a bluff.

Great caution and careful hedging are essential in the face of these uncertainties. Basically, they require us to insist on essential equivalence with the Soviet Union in strategic nuclear forces. Because of the stakes, no lesser requirement will do.

We do not propose to plan against total irrationality. Rather, the issue is how to make it clear to the Soviets that they cannot gain any military or political advantage from their strategic forces. Insistence on essential equivalence guards against any danger that the Soviets might be seen as superior -- even if the perception is not technically justified.

By essential equivalence, we mean the maintenance of conditions such that:



- Soviet strategic nuclear forces do not become usable instruments of political leverage, diplomatic coercion, or military advantage;
- nuclear stability, especially in a crisis, is maintained;
- any advantages in force characteristics enjoyed by the Soviets are offset by U.S. advantages in other characteristics; and
- the U.S. posture is not in fact, and is not seen as, inferior in performance to the strategic nuclear forces of the Soviet Union.

These conditions exist today, and our objective in the current SALT II negotiations is to maintain them in the future. But owing to the current and impending improvements in Soviet strategic offensive and defensive capabilities, we will have to continue our own effort -- primarily for increased research and development for the Missile-X (MX) Intercontinental Ballistic Missile (ICBM), development and some deployment of cruise missiles, deployment of the Mark 12A warhead, and introduction of the TRIDENT missiles and submarines.

### III. THE GENERAL PURPOSE FORCES

It should be evident that, in an era of mutual strategic deterrence, we must become more concerned than ever about a number of regional balances, and about the adequacy of U.S. and allied conventional capabilities. Strategic parity has not created this problem; the United States and its allies have been at risk to Soviet nuclear attacks for many years. But nuclear parity has forced all of us to recognize that the use of the more traditional types of force by our adversaries may seem to them less risky than formerly.

#### A. Europe

Whether for this or for some other reason, the Warsaw Pact maintains and continues to improve its capability to launch a major attack on Western Europe. Such an attack

could be nuclear or non-nuclear. It might occur after some days or weeks of mobilization and deployment by the Warsaw Pact, but we cannot rule out the possibility that the powerful Pact forces already positioned in Eastern Europe would attack without reinforcement, and with little tactical warning, in the midst of a major East-West crisis.

The United States will do its share to ensure that NATO has the capabilities -- conventional as well as nuclear -- to maintain the independence and territorial integrity of Western Europe. We are determined to help stop any of these possible Pact attacks with a minimum loss of allied territory, and ensure the prompt restoration of prewar boundaries.

Our policy is in complete agreement with current NATO guidance in its emphasis on a flexible response and on the need for conventional as well as for tactical and strategic nuclear forces in the posture of the Alliance. We also agree with our allies that, owing to the strengthening of Soviet forces in Eastern Europe, NATO (including the United States) must make major improvements in the conventional capabilities of the Alliance including:

- the deployed forward defense forces in Europe and their positioning;
- the initial combat capabilities of these forward defense forces, and particularly their antitank capabilities;
- and allied rapid reinforcing capabilities.

I have already instituted a number of U.S. programs in these areas. We are substantially enhancing the readiness of the United States general purpose forces and improving our ability to provide rapid reinforcements to NATO. Currently, within 10 days, we could augment our 5 2/3 divisions and 28 tactical air squadrons in Europe by little more than one division and 40 squadrons. We plan, by 1983, to be able to add five divisions and 60 tactical air squadrons in the same amount of time.

Along with the allies, we are building up our anti-armor capabilities and adding to our war reserve stocks. During the next five years, the United States alone plans to increase its "heavied up" divisions to 11 of the total of 16

regular Army divisions, acquire about 5,000 tanks and 18,000 anti-tank guided missiles for the Army, and purchase more than 2,000 tactical aircraft for the Air Force. Our allies, in the coming year alone, will add almost 2,000 anti-tank guided missile launchers and 14,000 anti-tank missiles to their capability in Central Europe.

In December, 1977, the allies also agreed to improve war reserve stocks, increase readiness, and strengthen reinforcement capabilities. These measures, along with greater anti-armor effectiveness, will enhance NATO's capability against the possibility of a Warsaw Pact short-warning attack.

At the same time, we and our allies are working toward a greater integration of NATO doctrine, tactics, procedures, and equipment. The more that equipment, munitions, and their logistic support are interoperable, the more effectively allied forces can contain a coordinated attack. Standardized or interoperable command, control and communications and interchangeable munitions are particularly essential for this purpose.

#### B. East Asia

There is a rather clear dividing line in Europe between friends and adversaries. The dangers are less sharply defined in Asia. Soviet forces in Asia are directed primarily at China. North Korea continues to improve its military capabilities relative to South Korea, but the long-term overall trends clearly favor the South. The situation in Southeast Asia remains obscure, and the ultimate intentions of Vietnam continue to be uncertain.

In these circumstances, the President has reaffirmed the commitment of the United States to a position of strength in the Western Pacific. We will continue to protect our interests in Northeast Asia and fulfill all our treaty obligations. The planned withdrawal of the 2nd U.S. Infantry Division from South Korea in no way alters that commitment.

We shall continue to oppose aggression in Korea. With Congressional approval of the necessary legislation, we plan to augment the combat capability of the South Korean ground forces. The major portion of the 2nd Division will remain deployed in Korea until after 1980. The Seventh Fleet, a Marine Amphibious Force with its organic air wing, and three USAF land-based tactical fighter wings will continue on station in the Western Pacific, including one in Korea.

Continuation of the close U.S.-Japanese defense relationship will further strengthen stability in Asia. We support Japanese efforts to improve their self-defense forces, particularly their recently announced plans to augment their air defense and ASW capabilities.

### C. Other Contingencies

There are, in addition, a number of other regions where the United States and its allies have vital interests and where serious and potentially explosive rivalries exist. The Middle East, despite the hope provided by recent events, remains a source of potential conflict. United States and European security cannot be separated from the security of other critical parts of the world. Soviet control of the vital oil-producing regions of the Persian Gulf, in particular, could destroy the cohesion of NATO and perhaps NATO's ability to defend itself.

In this area, or indeed in the Far East, rival local forces might become engaged initially without external involvement. However, the Soviets could intervene in all three regions, although in some instances their forces could only be airlifted light infantry or naval and perhaps air units. Whatever the developments, and however they might occur, such clashes not only might require the dispatch of appropriate U.S. forces to the scene in support of friends; they could precede and even set off a crisis or conflagration in Europe.

Accordingly, we must continue to maintain a defense posture that permits us to respond effectively and simultaneously to a relatively minor as well as to a major contingency. We currently estimate the needs of such a posture -- over and above the forces we program for a major war with the Soviet Union -- as a limited number of land

combat forces, in large part relatively light (though their actual configuration will depend on the nature of the forces they might be expected to encounter), consisting of both Marine and Army combat divisions with their support; naval, amphibious lift, and tactical air forces; and strategic mobility forces with the range and payload to minimize our dependence on overseas staging and logistical support bases.

This by no means completes our defense needs. The United States is a maritime nation. Much more than the Soviet Union, we depend on access to major air and sea lanes not only to acquire critical raw materials and engage in other peaceful pursuits, but also to protect our vital interests, forces, and allies overseas in wartime.

The Soviets have developed a long-range force of aircraft, surface combatants, and submarines capable of challenging our maritime interests. We must maintain the air and naval forces necessary to deal with the challenge and project U.S. power where and as required.

Most of these various requirements can be satisfied with existing programs and forces. But in an era when wars could be short and intense, appropriate elements of our forces in the continental United States (CONUS) must be rapidly deployable to Asia and the Middle East as well as to Europe.

#### IV. READINESS

I should emphasize that, while the prospect of short, intense wars makes it necessary to have our main conventional forces in being, that alone is not sufficient. We must also maintain a high level of readiness in our active forces. Otherwise, we will have the facade rather than the reality of collective security.

I consider our forces to be ready when they are well trained, have modern unit equipment in good operating order, hold war reserve stocks on which they can draw for the early stages of any conflict and are capable of timely response to crisis. Unfortunately, I cannot report that our forces, by this definition, are as ready as I would like them to be.

There are several reasons for the current state of affairs. Our necessary efforts to conserve fuel have meant reductions in ground combat training exercises, Navy steaming hours, and flying hours for all services (although we have been able to make some substitution for these losses, using simulators). Modernization, in some cases, has brought with it shorter mean-times to failure, longer repair times, and increased training requirements, as well as greater sophistication and capability of equipment. Inflation, increased pay, and the need to modernize our forces have meant curtailed funds for operation and maintenance.

The conventional wisdom has been that, in an emergency, the neglect of readiness can be quickly overcome by a rapid infusion of resources. Whatever merit this wisdom may have had when the United States had ample time for extended mobilization, it is now out of date.

We have not yet developed the methodological tools to show the precise sensitivity of readiness to changes in our commitment of resources. But loss of readiness is a cumulative process that takes time as well as money to reverse.

Accordingly, we must keep up our training not only because U.S. forces may be sent into action with very little advance warning, but also because we rely increasingly on the sophistication of our equipment to compensate for potential superiority in enemy numbers. It is equally essential that our war reserve stocks be maintained, mostly for our own needs, but to some degree for Asian allies as well. At the same time, we must raise the percentage of our equipment that is combat-ready because, owing to unit costs, we have less of it to bring to bear in an emergency.

To put the matter bluntly, unless we are prepared to maintain these components of readiness, collective security and deterrence will be seriously undermined. The increased resources in the FY 1979 budget will permit us to get on with the job.

## V. CONCLUSION

To sum up, what we are saying with the FY 1979 budget and Five-Year Defense program is that, while there is work ahead, ~~of us~~, there are no grounds for panic or crash efforts.

7 The world remains turbulent and dangerous; the Soviets, despite all their internal handicaps and external problems, have become a serious military competitor. But they have not suddenly achieved the status of a Goliath any more than we have ended up abruptly as a David at the end of an inoperative slingshot. Although both of us are heavyweights, I am confident that we remain the more agile of the two.

Perhaps the analogy of the hare and the tortoise is more appropriate as a description of the Soviet-American competition in the past. Certainly we pulled ahead in the late 1950s and early 1960s, and then substantially reduced our basic effort while the Soviets continued to expand theirs at a steady pace. Now we must increase our investment in defense if we are to stay abreast.

That we have the basic strength and will for the task cannot be in doubt. That we have the prudence and patience to run at whatever pace the Soviets may choose to set remains to be seen. All I can say to you is that the FY 1979 budget and projected programs recommend what this administration regards as the right regimen for a long-distance runner.